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## Korea, Republic of

### Sugar

### Annual

### 2005

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**Report Highlights:**

In MY 2006, Korea's sugar imports and human consumption are expected to increase slightly to 1.68 MMT and 1.2 MMT. Local wholesale prices for refined sugar, stable at an average of 666/kg since July 2002, are expected to increase in 2005 in response to increasing international sugar prices.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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## Section I. Situation and Outlook

### Refined Sugar Production and Consumption

Korea's refined sugar production has increased 2.5 percent each year on average since the Korean financial crisis in CY 1998. In line with this trend, Korea's refined sugar production is forecast at 1.33 million metric tons (MMT) in CY 2005.

Korean refined sugar production is based solely on imported raw sugar. In MY 2006, raw sugar imports reflect the stable annual demand for refined sugar of roughly 1.2 MMT for human consumption, .34 MMT for exports and .14 of "other disappearance". The "other disappearance" category is largely composed of demand from lysine producer who supply product to the feed industry.

In MY 2005, total sugar consumption in Korea is forecast at 1.33 MMT, a slight increase from the 1.30 MMT of sugar consumed in MY 2004. Early hot summer weather in MY 2003/04 was identified by the Korean soft drinks industry as the underlying reason for a 3 percent increase in soft drink consumption from the previous year leading to increased sugar consumption. However, the growing demand for non-carbonated soft drinks is tending to dampen the effect on sugar consumption associated with increasing soft drink consumption as consumers focus on products with healthy images which usually have lower sugar contents. In CY 2004, consumption of functional health drinks, including vitamin drinks, increased more than 10 percent which bolstered demand for High Fructose Corn Syrup (HFCS). Strong demand for functional health drinks continues.

### Trade

In MY 2006, raw sugar imports are expected to increase 20,000 tons to a total of 1.68 MMT. The slight increase in imports forecast for MY 2006 is lower than the 3.1 percent average growth in Korea's raw sugar imports since CY 1999 reflecting reduced expectations of growth in the Korean economy relative the high levels of growth experienced in past years.

Korea's raw sugar imports for MY 2005 are forecast at 1.66 MMT, down 22,000 MT from 1.68 MMT in MY 2004 largely reflecting higher international prices and stabilizing exchanges rates of the Korean won against the dollar which are expected to discourage additional stock building. Imports during the first four months of MY 2005 were 1.2 percent (or 8,218 MT) lower than imports during the same period in MY 2004.

Australia is expected to continue to be the main supplying to Korea in MY 2006. Korea imported 1.045 MMT of raw sugar from Australia in MY 2004. The Australian raw sugar accounted for 62 percent of Korea's total raw sugar imports in MY 2004 (a 9 percent increase in share from MY 2003). Korea's refined sugar exports primarily are directed to Hong Kong and China which account for over 70 percent of total Korean refined sugar exports in MY 2004. Despite the good reputation for Korean refined sugar quality in Hong Kong and China, Korean refiners expect reduced exports in MY 2005 followed by a resurgence in MY 2006 depending on the availability of competing low-priced refined sugar from other Asian supplies.

### STOCKS

Korean ending stocks in MY 2006 are expected to remain at the same level as in MY 2005. Stocks increased 40,000 tons in MY 2004. FAS/Seoul estimates stocks based on a survey of refiners. Generally, Korean refiners maintain raw sugar stocks at levels sufficient to cover 26–28 days of processing without additional imports. Refiners typically also hold sufficient

stocks of refined sugar to cover 5 days or less of sales. Based on this estimates of stockholding patterns FAS/Seoul estimates ending stocks at 150,000 tons in MY 2005 and MY 2006.

Local refined sugars have been stable since July 2002. Since July 2002, wholesale prices for refined sugar have averaged 666 Won/KG (US\$ 0.64/kg at the current exchange rate). Although international sugar prices increased through CY 2004 and into early 2005, Korean refiners were not forced to pass on the cost of increased raw material to consumers because of the strengthening value of the Korean won against the U.S. dollars. However, continued increases in international sugar prices and stabilization of the Won/Dollar exchange rate are expected to prompt refiners to increase wholesale prices in MY 2006.

#### HFCS

According to the Korea Corn Processing Industry Association (KCPIA), Korean corn processors produced about 450,000 MT of HFCS in CY 2004. HFCS production increased in CY 2004 from the previous year level of 432,000 tons based largely on growing demand from the soft drink industry. Continued growth in the soft drink industry is expected to bolster demand for HFCS in MY 2005 and MY 2006.

Korea's soft drink industry recorded 3 percent growth in CY 2004 due to early hot summer weather despite slower growth rates of the overall economy. In addition, the carbonated soft drinks sector grew 3 percent CY 2004 based in part on increased consumption of clear carbonated drinks. The trend toward health consciousness is expected to undermine demand for traditional carbonated soft drinks. As part of this trend, several functional health drinks such as vitamin drinks are expected to gain market share in CY 2005

HFCS is the primary substitute for refined sugar in the soft drinks sector. At a price of 420 – 430 Won/kg (US\$ 0.364 – 0.373), the ex-factory price of HFCS is about 38 percent lower than refined sugar. However, the price of HFCS is expected to strengthen in line with the expected changes in wholesale refined sugar prices in CY 2005.

## Section II. Statistical Tables

## Sugar PSD

## PSD Table

Country Commodity	Korea, Republic of Sugar, Centrifugal						UOM
	(1000 MT)						
	2004	Revised	2005	Estimate	2006	Forecast	
	USDA Official [	Estimate [DA	Official [	Estimate [DA	Official [	Estimate [New]	
Market Year Begin	09-2003			09-2004		09-2005	MM/YYYY
Beginning Stocks	110	110	110	150	110	150	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	(1000 MT)
TOTAL Sugar Production	0	0	0	0	0	0	(1000 MT)
Raw Imports	1600	1682	1610	1660	0	1680	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	1600	1682	1610	1660	0	1680	(1000 MT)
TOTAL SUPPLY	1710	1792	1720	1810	110	1830	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	335	338	335	330	0	340	(1000 MT)
TOTAL EXPORTS	335	338	335	330	0	340	(1000 MT)
Human Dom. Consumption	1115	1164	1125	1190	0	1200	(1000 MT)
Other Disappearance	150	140	150	140	0	140	(1000 MT)
Total Disappearance	1265	1304	1275	1330	0	1340	(1000 MT)
Ending Stocks	110	150	110	150	0	150	(1000 MT)
TOTAL DISTRIBUTION	1710	1792	1720	1810	0	1830	(1000 MT)

## Trade Matrix

## KOREA: Raw Sugar Imports (Raw value)

Country	MY 2004 (Sept – Aug)		MY 2005 1/	
	MT	US\$ 000	MT	US\$ 000
Australia	1,044,584	191,512	495,727	100,406
Guatemala	337,186	59,653	10,350	2,168
Thailand	185,516	32,029	34,570	6,594
South Africa	101,457	18,211	110,736	21,075
Philippines	11,870	1,979	19,543	4,058
Brazil	129	48	141	65
U.S.A.	756	1,075	246	289
India	108	24	0	0
Columbia	3	3	19	12
U.K.	19	35	12	21
Other	193	146	426	189
Total	1,681,821	304,715	671,770	134,877

1/ September 2004 – January 2005 data.

Source: Korea Trade Information Services

## KOREA: Sugar Exports (Raw value)

Country	MY 2004 (Sept – Aug)		MY 2005 1/	
	MT	US\$ 000	MT	US\$ 000
Hong Kong	133,604	27,919	55,483	12,311
P. R. China	123,810	27,785	50,052	13,292
Singapore	27,816	5,634	3,211	789
Philippines	21,594	4,966	5,838	1,559
Indonesia	21,586	5,006	8,382	2,465
Japan	2,037	670	503	166
Micronesia	948	395	602	240
Guam	941	329	387	138
Other	5,736	1,666	304	117
Total	338,072	74,370	124,762	31,077

1/ September 2004 – January 2005 data.

Source: Korea Trade Information Services

**Korea: Refined Sugar Production**

(Unit: 1,000 MT)

Calendar Year	1999	2000	2001	2002	2003	2004
Volume	1,176	1,253	1,255	1,277	1,283	1,309
Change	4%	7%	0%	2%	0.5%	1.9%

Source: Korea Sugar Association

**Korea: HFCS Production by Corn Wet Millers**

(Sept – Aug; Unit: 1000 MT)

Marketing Year	Production	Raw Sugar Equivalent
1994/95	307	252
1995/96	309	253
1996/97	349	286
1997/98	321	263
1998/99	329	270
1999/00	385	316
2000/01	427	350
2001/02	480	394
2002/03	432	354
2003/04	451	370

Source: KOCPIA (Korea Corn Processing Industry Association)

**Korea: Refined Sugar Wholesale Price**

Date	May 2001	March 2002	July 2002	March 2004	Feb. 2005
Price (US\$ / Kg)	0.559	0.534	0.561	0.570	0.651
Price (KRW/Kg)	726.44	704.65	666.00	666.00	666.00
Change	5.8 %	-3.0 %	-5.5 %	0 %	0 %
Exchange rate (KRW / US\$)	1298.46	1318.72	1185.12	1166.96	1022.69

Note: Wholesale sugar price is based on 15 kg package.

Sources: Industry Data &amp; Bank of Korea monthly average exchange rate

**Korea: Import Price of Raw Sugar**

H.S. Code 1701.11

(US\$/MT, CIF 1/)

Month	CY 2002 2/	CY 2003	CY 2004	CY 2005	Change	Exchange Rate 3/
January	211	185	181	213	17.7 %	1038.32
February	210	176	180		2.3 %	1166.96
March	200	181	180		- 0.6 %	1166.33
April	197	188	181		- 3.7 %	1150.81
May	190	205	184		-10.2 %	1177.01
June	189	193	185		- 4.1 %	1158.54
July	184	192	186		- 3.1 %	1158.12
August	168	189	188		- 0.5 %	1158.96
September	169	189	190		0.5 %	1147.80
October	177	181	191		5.5 %	1143.52
November	171	181	192		6.1 %	1090.10
December	175	185	193		4.3 %	1051.44

1/: Cost, Insurance and Freight

2/: Calendar Year

3/: Korean Won / US Dollar

Source: Korea Trade Information Services (KOTIS)

**Korea: Export Price of Refined Sugar**

H.S. Code 1701.99 (US\$/MT, FOB 1/)

Month	CY 2002 2/	CY 2003	CY 2004	CY 2005	Change	Exchange Rate 3/
January	269	243	231	296	28.1 %	1038.32
February	264	247	230		- 6.9 %	1166.96
March	257	253	230		- 9.1 %	1166.33
April	254	248	230		- 7.3 %	1150.81
May	245	247	231		- 6.5 %	1177.01
June	249	244	232		- 4.9 %	1158.54
July	245	239	233		- 2.5 %	1158.12
August	243	238	236		- 0.8 %	1158.96
September	244	236	238		0.8 %	1147.80
October	242	229	240		4.8 %	1143.52
November	240	228	242		6.1 %	1090.10
December	237	234	245		4.7 %	1051.44

1/: Free on Board

2/: Calendar year.

3/: Korean Won / US Dollar

Source: Korea Trade Information Services (KOTIS)